

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1545-02
Bill No.: HB 693
Subject: Business and Commerce; Economic Development; Taxation and Revenue.
Type: Original
Date: April 4, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development** and the **Office of Administration - Divisions of Design and Construction** and **Accounting** each state this proposal would not have a fiscal impact on their respective agencies.

In response to a similar proposal from this year, officials from the **City of Springfield** stated that a feasibility study will cost from \$5,000 to \$20,000 and a city would charge a minimum of two percent for administering it, or from \$100 to \$400.

In response to similar legislation from last year, officials from the **City of Kansas City (CKC)** stated the bill requires no additional cost to the City unless they wish to authorize a project which would involve the issuance of revenue bonds or the conveyance of fee interest in property to the City. If the City wishes to authorize such a project, the bill would add the new and additional requirements that the impact of the project on real and personal property taxes be estimated.

CKC stated they currently prepare a plan for such projects. The bill requires that plan to be more

ASSUMPTION (continued)

specific and detailed, which would entail only a nominal increase in cost. The City currently holds public hearings before such projects. The other additional costs that would be incurred by the City, if the bill is adopted and the City elects to authorize a project, would be estimating the impact of a project on tax revenue to all the taxing jurisdictions. If the project is a large one, that cost to the City could be substantial (\$10,000 or more). If it is a small, limited project, the City assumes the written estimate could be prepared for something less than \$10,000.

Officials from the **City of St. Louis, City of Independence, City of Eureka and St. Louis County** did not respond to our request for fiscal impact.

Oversight assumes the proposal would result in additional costs to local governments that have industrial development projects, if those projects involve the issuance of revenue bonds or involves the conveyance of a fee interest in property. Oversight assumes additional cost would result from the additional research and reporting that would be required and the amount is unknown but minimal to each local government, but may not be minimal in the state-wide aggregate.

Oversight also assumes the proposal may reduce property tax collections since some industrial development properties and the capital improvements made to them will go on the tax rolls later than under current law.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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**COUNTIES, CITIES, TOWNS or
 VILLAGES**

<u>Loss</u> - Potential loss in property tax revenues	(Unknown)	(Unknown)	(Unknown)
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<u>Costs</u> - new requirements for industrial development projects	(Unknown)	(Unknown)	(Unknown)
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**ESTIMATED NET EFFECT TO
COUNTIES, CITIES, TOWNS OR
VILLAGES**

(Unknown)

(Unknown)

(Unknown)

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

For any industrial development plan approved after August 28, 2003, that authorizes the issuance of revenue bonds or the conveyance of a fee interest in property to the municipality, this proposal requires that the project plan also include a statement identifying each taxing district affected by the project, the most recent equalized assessed valuation of the real and personal property included in the project, and an estimate as to the equalized assessed valuation of real and personal property included in the project after development. A cost-benefit analysis is also required, as is the identification of any payments in lieu of taxes or other payments expected to be made by the lessee of the project.

The proposal requires that the county in which the municipality is located and any school district be notified of the hearing to be held regarding the industrial development and invited to testify to the governing body about the project.

Current law requires municipalities to file a report with the Department of Economic Development regarding the revenue bonds issued in the previous year. The proposal requires the report to also include a general description of the property purchased by the municipality with bond proceeds.

Current law requires that each county assessor maintain a record of real property valuations so that each year the increase in valuations that is the result of new construction or improvements can be determined. The additional assessed value of all improvements or additions to real property which had been totally or partially exempt from ad valorem taxes related to tax increment financing, enterprise zones, and the real property tax exemption must be included in the value of new construction and

DESCRIPTION (continued)

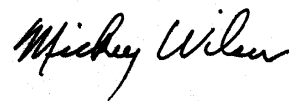
improvements when the property becomes totally or partially subject to assessment and payment of all ad valorem taxes. The proposal requires that the additional assessed value of all improvements or additions to real property which had been totally or partially exempt from ad valorem taxes related to industrial development bonds also be included in the value of new construction and improvements when the property becomes totally or partially subject to assessment and payment of all ad valorem taxes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Office of Administration
City of Springfield
City of Kansas City

**NOT RESPONDING: City of St. Louis, City of Independence, City of Eureka and
St. Louis County**



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